

Message Text

PAGE 01 NATO 04382 01 OF 03 190008Z

16

ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 PM-07 INR-10 L-03 NEA-10

NSAE-00 PA-03 RSC-01 PRS-01 SPC-03 USIA-15 TRSE-00

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INFO AMEMBASSY BONN

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C O N F I D E N T I A L SECTION 1 OF 3 USNATO 4382

E.O. 11652: GDS: 12-31-79

TAGS: MCAP, NATO

SUBJECT: BURDENSARING

REF: USNATO 4280

1. FRG HAS PROVIDED FOLLOWING PROPOSED CHANGES TO DRAFT REPORT
OF STUDY GROUP (AC/291-WP(73)1):

GERMAN-AMERICAN AGREEMENT ON THE OFFSETTING OF FOREIGN EXCHANGE
COSTS. (PARAGRAPH 20.

THE NUMBERING OF PARAGRAPH 20 SHOULD BE ADVANCED ACCORDINGLY
(BEFORE HEADING "AGREEMENT CONCLUDED BETWEEN THE UNITED
STATES AND EUROPEAN MEMBER COUNTRIES").

IN AN INITIATING PARAGRAPH UNDER (A) THE OFFSET AGREEMENT
BETWEEN GERMANY AND UNITED STATES THE FOLLOWING SHOULD BE
EXPRESSED:

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PAGE 02 NATO 04382 01 OF 03 190008Z

THIS AGREEMENT HAS OFFSET SINCE 1961 THE NEGATIVE BALANCE
OF PAYMENT EFFECT RESULTING TO THE AMERICAN BALANCE OF PAYMENT
DUE TO THE DM. EXPENDITURE OF THE US FORCES. SINCE 1967
IT HAS BEEN AGREED THAT 80 PERCENT OF THIS EXPENDITURE SHOULD

BE REGARDED AS AMOUNT TO BE OFFSET SINCE 20 PERCENT ARE FLOWING BACK TO THE CREDIT OF THE AMERICAN BALANCE OF PAYMENTS. IN ALL OFFSET PAYMENTS TO THE VALUE OF 34.634,000,000 HAVE BEEN MADE SINCE 1961.

THE DATA ON THE AGREEMENT FOR THE PERIOD 1ST JULY, 1971 TO 30TH JUNE, 1973 ARE TO BE CORRECTED AS FOLLOWS:

1. MILITARY PROCUREMENTS DM. 3,950,000,000

2. INVESTMENTS IN TROOP
FACILITIES (MODERNIZATION
OF BARRACKS) DM. 600,000,000

3. CREDITS BY THE FEDERAL BANK

MATURITY 4 1/2 YEARS
AT 2 1/2 PERCENT DM. 2,000,000,000

4. DISCOUNT FOR PERIOD OF
AGREEMENT DM. 100,000,000

TOTAL DM. 6,650,000,000

THE LAST SENTENCE OF PARAGRAPH 20 (FINALLY THE VALUE OF REAL ESTATE UP TO CALCULATED) IS TO BE DELETED AND TO BE REPLACED BY THE FOLLOWING:

"OUTSIDE THE OFFSET AGREEMENT THE FEDERAL REPUBLIC OF GERMANY CONTINUOUSLY PROVIDES SERVICES IN FAVOUR OF THE AMERICAN FORCES IN THE FEDERAL REPUBLIC INCLUDING BERLIN (E.G. RENTAL VALUE OF THE ACCOMMODATION MADE AVAILABLE) WHOSE VALUE FOR THE YEAR 1972 CAN BE ESTIMATED AT MORE THAN DM. 1,400,000,000. THE DETAILS ARGUCVFCFN WITH A SPECIAL LETTER.

PARAGRAPH 12 (PAGE 6) IS TO BE SUPPLEMENTED AS FOLLOWS:
A FULL OFFSET OF FOREIGN EXCHANGE LOSSES WAS ACHIEVED WITH THE CONFIDENTIAL

PAGE 03 NATO 04382 01 OF 03 190008Z

FEDERAL REPUBLIC OF GERMANY (DETAILS SEE PARAGRAPH 29.

PARAGRAPH 21 IS TO BE SUPPLEMENTED BY THE FOLLOWING SUB-PARAGRAPH: THE EVENTS IN MONETARY POLICY SINCE 1971 HAVE CLEARLY INDICATED THAT THE USA HAVE GAINED AND UTILIZED SCOPE OF ACTION IN THE RATES OF EXCHANGE POLICY. THE EUROPEAN PARTNERS IN THE ALLIANCE HAVE DECISIVELY CONTRIBUTED TO THIS. BY THEIR POSITION IN THE RATES OF EXCHANGE POLICY THEY LET THE DOLLAR DEVALUATIONS BECOME EFFECTIVE (REALIGNMENT DECEMBER 1971 (SEMI) FEBRUARY 1973) FOLLOWING THE TRANSITION TO A FREE FORMATION OF RATES OF EXCHANGE IN THE RELATIONSHIP OF NUMEROUS COUNTRIES WITH THE USA IN MARCH 1973 THE USA GAINED ADDITIONAL SCOPE OF ACTION IN THE BALANCE OF

PAYMENTS POLICY.

DUE TO THE SCOPE OF ACTION IN THE RATES OF EXCHANGE POLICY
THE USA ARE LESS COMPELLED IN THEIR ECONOMIC POLICY TO TAKE
THEIR BALANCE OF PAYMENTS INTO CONSIDERATION. THE COMPETITIVE
POSITION OF THE USA HAS CONSIDERABLY IMPROVED AND THE US
BALANCE OF TRADE AND PAYMENTS SHOWS A NOTICEABLE IMPROVEMENT.
MOREOVER, THE RESERVE POLICY OF THE USA WILL BE RELIEVED
WHEN RATES ARE FREELY FIXED FOR AN INCURRING OF NEW DEBTS FROM
COMMERCIAL TRANSACTIONS IS NOT POSSIBLE, IN PRINCIPLE,
VIS-A-VIS COUNTRIES FREELY FIXING RATES.

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PAGE 01 NATO 04382 02 OF 03 190628Z

15
ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 PM-07 INR-10 L-03 NEA-10

NSAE-00 PA-03 RSC-01 PRS-01 SPC-03 USIA-15 TRSE-00

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USCINCEUR
USNMR SHAPE

C O N F I D E N T I A L SECTION 2 OF 3 USNATO 4382

REF: USNATO 4280

THE FEDERAL REPUBLIC OF GERMANY HAS MADE AN ESPECIALLY
HIGH CONTRIBUTION TOWARDS THIS DEVELOPMENT. FOR INSTANCE, THE
REVALUATION EFFECT OF THE DM. VIS-A-VIS THE US DOLLAR WAS ALMOST
50 PERCENT ON 31ST AUGUST, 1973 COMPARED WITH THE PARITIES AT THE
END OF 1969. THUS, THE FEDERAL REPUBLIC OF GERMANY HAS ACCEPTED
A CONSIDERABLE DETERIORATION OF ITS COMPETITIVE POSITION WHOSE
FULL EFFECT WILL ONLY BE FELT IN THE COURSE OF TIME.
MOREOVER, FOLLOWING THE MONETARY POLITICAL EVENTS A HIGH LOSS
TO THE FEDERAL BANK WILL RESULT DUE TO THE REVALUATION OF THE
DOLLAR STOCKS. THESE LOSSES WERE ESPECIALLY HIGH BECAUSE THE
FEDERAL BANK, TAKING INTO CONSIDERATION THE AMERICAN MONETARY
POSITION, HAD FOR MANY YEARS NOT RESORTED TO ITS RIGHT TO CONVERT
DOLLARS INTO GOLD.

TABLE 1(A) FOOTNOTE 1 IS TO BE SUPPLEMENTED AUBPILBLBMS
 SECURITIES WITH THE FRG" BY "WHICH FULLY OFFSET THE AMERICAN
 FOREIGN EXCHANGE LOSSES WITHIN THE FRAMEWORK OF THEIR FOREIGN
 EXCHANGE OFFSET AGREEMENTS."
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PAGE 02 NATO 04382 02 OF 03 190628Z

TABLE 2 FOOTNOTE 1 IS TO BE SUPPLEMENTED AS IN TABLE 1(A).

2. GERMAN DELEGATION HAS ALSO PROVIDED DATA ON SERVICES
 FURNISHED, OUTSIDE THE OFFSET AGREEMENT, TO THE US FORCES IN
 THE FRG, INCLUDING BERLIN. THE VALUE OF THESE SERVICES FOR
 THE YEAR 1972 IS ESTIMATED AT OVER DM 1.4 BILLION, BROKEN DOWN
 AS FOLLOWS:

SERVICES IN CONNECTION WITH THE STATIONING OF US FORCES
 ON THE TERRITORY OF THE FEDERAL REPUBLIC AND IN BERLIN IN 1972.

(A) EXPENDITURE ON THE TERRITORY OF THE FEDERAL REPUBLIC.
 I, PLAN 35, CHAPTER 3511 (COST ASSOCIATED WITH DEFENCE)

DM.

(1) ADMINISTRATION OF REAL ESTATE	14,536,858
BUILDINGS AND ROOMS	
(2) SERVICES IN CONNECTION WITH THE	
MAKING AVAILABLE OF OBJECTS FOR	
UTILIZATION BY THE AMERICAN FORCES	2,817,914
(3) MAINTENANCE OF REAL ESTATE AND	
BUILDINGS	231,851
(4) COMPENSATION FOR DAMAGE CAUSED	
BY THE AMERICAN FORCES	14,953,455
(5) COMPENSATION OF HARDSHIPS IN	
CONNECTION WITH INTERNATIONAL	
TREATIES AND AGREEMENTS	863,800
(6) COMPENSATION FOR OCCUPATIONAL	
DAMAGE CAUSED BY THE AMERICAN	
FORCES OR CAUSED IN CONNECTION	
WITH MEASURES OF THE AMERICAN FORCES	1,393,875
(7) EXPENDITURE IN CONNECTION WITH	
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PAGE 03 NATO 04382 02 OF 03 190628Z

THE EXECUTION OF CONSTRUCTIONAL
 MEASURES ON REAL ESTATE UTILIZED
 BY THE AMERICAN FORCES 172,133

(8) PROVISION OF ALTERNATIVE ACCOMMO- DATION AND/OR CONSTRUCTION OF ALTERNATIVE BUILDINGS	51,199,356
(9) ACQUISITION OF REAL ESTATE	10,379,728
(10) SECURITY OF MILITARY INSTALLA- TIONS, MEASURES IN CONNECTION WITH WATER SUPPLY	2,170,937
(11) DEVELOPMENT CONTRIBUTIONS FOR FEDERAL-OWNED REAL ESTATES OR REAL ESTATES FALLING UNDER THE BUILDING RIGHTS	677,282
(12) EXPENDITURE FOR THE INCREASED IMPROVEMENT OF ROADS IN CONNECTION WITH THE SPECIAL MOTOR VEHICLE TRAFFIC OF THE AMERICAN FORCES	12,953,800
(13) PAYMENTS TO FORMER EMPLOYEES, COURT COSTS, AND SIMILAR COSTS, FEDERAL SHARE IN PERSONNEL AND MATERIAL COSTS OF THE AUTHORITIES FOR DEFENCE BURDENS. COMPENSATION FOR RESIDUAL VALUE.	11,094,848

TOTAL	130,718,237

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PAGE 01 NATO 04382 03 OF 03 190509Z

16
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C O N F I D E N T I A L SECTION 3 OF 3 USNATO 4382

REF: USNATO 4280

II. BUNDESLANDER IN THE AREA OF THE AMERICAN FORCES
 STATIONED IN GERMANY: SHARE OF THE BUNDESLANDER (50 PERCENT)
 IN THE PERSONNEL AND MATERIAL COSTS OF THE AUTHORITIES
 RESPONSIBLE FOR THE ADMINISTRATION OF DEFENCE BURDENS
 DM. 10,679,457(1).

III. OTHER BUDGETS DM.
 (1) PLAN 14 (DEFENCE BUDGET) PAYMENTS FROM
 THE DEFENCE BUDGET FOR THE EXECUTION OF
 ALTERNATIVE BUILDING PROGRAMMES APPROX. 25,000,000

(2) PLAN 12 (TRANSPORT BUDGET)

(A) RELOCATION OF DARMSTADT RANGE TO
 RANGE TO SPACHBRUECKEN DM. 565,237

(B) RELOCATION OF REPAIR WORKSHOP
 BOBLINGEN DM. 305,000 871,237
 CONFIDENTIAL

PAGE 02 NATO 04382 03 OF 03 190509Z

(3) STADT HEIDELBERG
 RELOCATION OF HEIDELBERG RANGE 73,658

(4) INNERE MISSION
 ALTERNATIVE CONSTRUCTION
 MEASURE-GARRISON HOSPITAL ZWEIBRUCKEN 233,000

 26,176,895

 (1) FEDERAL SHARE SEE I, NO. 13

IV. SERVICES FREE OF CHARGE

(1) FEDERAL REPUBLIC OF GERMANY
 ANNUAL RENTAL VALUE OF FEDERAL-
 OWNED REAL ESTATE (67,944 HA)
 MADE AVAILABLE FREE OF CHARGE
 TO THE AMERICAN FORCES, WITH A
 CAPITAL VALUE OF APPROXIMATELY
 DM. 20,000,000,000 DM.

5 PERCENT OF CAPITAL VALUE APPROX. 1,000,000,000

(2) OTHER TERRITORIAL ADMINISTRATIVE BODIES
 NO COST DATA AVAILABLE
 ANNUAL EXPENDITURE IS ESTIMATED
 TO AMOUNT TO 50,000,000

 APPROX. 1,050,000,000

(B) EXPENDITURE IN BERLIN

I. PLAN 35, CHAPTER 3502 (OCCUPATION COSTS AND
DELEGATED BUDGET - US SHARE)

(1) EXPENDITURE FOR LABOUR ETC. 105,520,548

(2) EXPENDITURE FOR REAL ESTATE,
 FURNITURE AND SUPPLEMENTARY
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PAGE 03 NATO 04382 03 OF 03 190509Z

PAYMENTS FOR LIVING QUARTERS 39,741,242

(3) COMMUNICATIONS 16,175,017

(4) TRANSPORT 12,379,598

(5) EXPENDITURE FOR MATERIAL AND
 VARIOUS SERVICES 15,234,408

(6) OCCUPATIONAL DAMAGE 224,336

(7) CAPITAL EXPENDITURE 27,309,652

(8) CIVIL AVIATION 7,179,513

 213,764,314

II. BERLIN BUDGET

(1) SHARE (50 PERCENT) IN THE PERSONNEL
 AND MATERIAL COSTS OF THE
 AUTHORITIES RESPONSIBLE FOR
 THE ADMINISTRATION OF
 OCCUPATION BURDENS 736,014

(2) COSTS OF GUARDS FOR THE GUARDING
 OF AMERICAN ACCOMMODATION APPROX. 4,000,000

 4,736,014

III. PLAN 35, CHAPTER 3512 (COSTS ASSOCIATED WITH
THE OCCUPATION)

FEDERAL SHARE IN PERSONNEL AND MATERIAL COSTS
 OF THE AUTHORITIES RESPONSIBLE FOR THE
 ADMINISTRATION OF OCCUPATIONAL BURDENS

COMPENSATION OF OCCUPATIONAL DAMAGE

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PAGE 04 NATO 04382 03 OF 03 190509Z

EXPENDITURE FOR REAL ESTATE DM. 1,547,544

SUMMARY

(A) I	DM.	130,718,237
(A) II	DM.	10,679,457
(A) III	DM.	26,176,895
(B) IV	DM.	1,050,000,000
(B) I	DM.	213,764,314
(B) II	DM.	4,763,014
(B) III	DM.	1,547,544

DM. 1,437,649,461

3. WASHINGTON GUIDANCE WITH RESPECT TO THE FOREGOING GERMAN
DATA IS REQUESTED.

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